

HB 1: PROPOSED PLAN FOR KERS & CERS NONHAZARDOUS MEMBERS: EFFECTIVE 9/1/2008 FOR NEW HIRES

RETIREMENT PROVISION	CURRENT PLAN FOR NEW HIRES	HB 1 PROVISIONS	
Employee Contribution	5% to pension (refundable w/int.)	5% to defined benefit pension (refundable w/int.) <u>1% to health (non-refundable)</u> 6% total	
Final Compensation	<ul style="list-style-type: none">Average of the highest 5 fiscal years, must contain 48 months.Includes lump-sum compensatory payments at retirement	<ul style="list-style-type: none">Average of the last 5 full fiscal years prior to retirement, must contain 60 months.All lump-sum comp. payments before and at retirement not included for retirement calculations.	
Benefit factor	<ul style="list-style-type: none">KERS: 1.97%CERS: 2.00%	<u>KERS & CERS</u>	
		<u>Yrs. Service At Retirement</u>	<u>Benefit Factor</u>
		10 or less	1.10%
		Greater than 10, but no more than 20	1.30%
		Greater than 20, but no more than 26	1.50%
		Greater than 26, but no more than 30	1.75%
		Additional years above 30	2.00%
		<i>As a member reaches the specific service level, the benefit factor increases for all service credit except that the 2.00% multiplier only applies to service earned in excess of 30 years. Inviolable contract applies to total benefit factor.</i>	
When Can They Retire: Unreduced Benefit	<ul style="list-style-type: none">Any age/ w 27 years of service orAge 65 w/4 years of service	<ul style="list-style-type: none">Rule of 87: Age + service must equal 87 years at retirement except that the employee must be at least 57 years of age to retire under this provision; orAge 65 w/5 years of service.	
When Can They Retire: Reduced Benefit	<ul style="list-style-type: none">Any age w/25 years of service orAge 55 w/5 years of service	<ul style="list-style-type: none">Age 60 w/10 years of service	
Penalty on Reduced Benefit	Amount determined by actuary	Amount determined by actuary	
Medical Insurance	FOR NEW HIRES AFTER 07/03: <ul style="list-style-type: none">10 years of earned service at retirement to be eligible for insurance benefits.Benefit of \$10 per month for each year of earned service without regard to a maximum dollar amount; adjusted by CPI annually.	FOR NEW HIRES AFTER 09/08: <ul style="list-style-type: none">Medical Insurance Eligibility:<ul style="list-style-type: none">Individual qualifies for a retirement benefit under the Rule of 87; or atAge 60 w/15 years service.Benefit of \$10 per month for each year of earned service without regard to maximum dollar amount; adjusted by 1.5% annually.Reemployed retiree is required to take coverage through the new employer.	
Sick Leave at Retirement	<ul style="list-style-type: none">KERS: Unlimited amount used toward determining retirement benefits, does not count towards eligibility.CERS: Optional for employer and employer chooses level.	<ul style="list-style-type: none">Limit to 12 months for purposes of determining monthly benefits. Effective July 1, 2010, require the last participating employer to pay the full cost of the sick leave.	
Cost of living Adjustment	<ul style="list-style-type: none">Annual increase not to exceed 5% based on the percent change in CPI; may be suspended by Legislature.	<ul style="list-style-type: none">Annual increase of 1.5%; may be suspended by Legislature.General Assembly may provide additional COLA in excess of 1.5% in the future.	
Distribution of funds before retirement	<ul style="list-style-type: none">Employee contribution plus interest at rate determined by the board.	<ul style="list-style-type: none">Employee contribution plus interest at rate of 2.5%	
Service purchases	<ul style="list-style-type: none">100% of actuarial cost as determined by the board.In most cases, does not count towards retirement eligibility.	<ul style="list-style-type: none">Ensure the actuarial cost includes COLA and earliest eligible retirement date.Tightens provisions to ensure no service purchases count towards retirement eligibility.	

HB 1: PROPOSED PLAN FOR KERS & CERS HAZARDOUS MEMBERS AND SPRS: EFFECTIVE 9/1/2008 FOR NEW HIRES

RETIREMENT PROVISION	CURRENT PLAN FOR NEW HIRES	HB 1 PROVISIONS	
Who is Hazardous?	<ul style="list-style-type: none"> Defined by KRS 61.592 	<ul style="list-style-type: none"> No change for KERS hazardous. Amend KRS 61.592 to limit hazardous duty coverage for CERS employees to specific police officers, firefighters, correctional officers, paramedics and EMTs. 	
Employee Contribution	8% to pension (refundable w/int.)	8% to defined benefit pension (refundable w/int.) <u>1% to health (non-refundable)</u> 9% total	
Final Compensation	<ul style="list-style-type: none"> Average of the highest 3 fiscal years, must contain 24 months. Includes lump-sum comp. time payments at retirement 	<ul style="list-style-type: none"> Average of the highest 3 full fiscal years, must contain 36 months. All lump-sum comp. payments before and at retirement not included for retirement calculations. 	
Benefit factor	<ul style="list-style-type: none"> KERS: 2.49% CERS: 2.50% SPRS: 2.50% 	<u>All KRS</u>	
		<u>Yrs. Service At Retirement</u>	<u>Benefit Factor</u>
		10 or less	1.30%
		Greater than 10, but no more than 20	1.50%
		Greater than 20, but less than 25	2.25%
		25 or more	2.50%
		<i>Inviolable contract applies to total benefit factor.</i>	
When Can They Retire: Unreduced Benefit	<ul style="list-style-type: none"> Any age/ w 20 years of service or Age 55 w/5 years of service 	<ul style="list-style-type: none"> Any age w/25 years of service or Age 60 w/5 years or service 	
When Can They Retire: Reduced Benefit	<ul style="list-style-type: none"> Age 50 w/15 years of service 	<ul style="list-style-type: none"> Age 50 w/15 years of service 	
Penalty on Reduced Benefit	Amount determined by actuary	Amount determined by actuary	
Medical Insurance	FOR NEW HIRES AFTER 07/03: <ul style="list-style-type: none"> 10 years of earned service at retirement to be eligible for insurance benefits. Benefit of \$15 per month for each year of earned service without regard to a maximum dollar amount; adjusted by CPI annually. \$10 per month for each year of hazardous service for surviving spouse of deceased member. 	FOR NEW HIRES AFTER 09/08: <ul style="list-style-type: none"> 15 years of earned service at retirement to be eligible for insurance benefits. Benefit of \$15 per month for each year of earned service without regard to a maximum dollar amount; adjusted by 1.5% annually. \$10 per month for each year of hazardous service for surviving spouse of deceased member. Reemployed retiree is required to take coverage through the new employer. 	
Sick Leave at Retirement	<ul style="list-style-type: none"> KERS & SPRS: Unlimited amount used toward determining retirement benefits, does not count towards eligibility. CERS: Optional for employer and employer chooses level. 	<ul style="list-style-type: none"> Limit to 12 months for purposes of determining monthly benefits. Effective July 1, 2010, require the last participating employer to pay the full cost of the sick leave. 	
Cost of living Adjustment	<ul style="list-style-type: none"> Annual increase not to exceed 5% based on the percent change in CPI; may be suspended by Legislature. 	<ul style="list-style-type: none"> Annual increase of 1.5%; may be suspended by Legislature. General Assembly may provide additional COLA in excess of 1.5% in the future. 	
Distribution of funds before retirement	<ul style="list-style-type: none"> Employee contribution plus interest at rate determined by the board. 	<ul style="list-style-type: none"> Employee contribution plus interest at rate of 2.5% 	
Service purchases	<ul style="list-style-type: none"> 100% of actuarial cost as determined by the board 	<ul style="list-style-type: none"> Ensure the actuarial cost includes COLA and earliest eligible retirement date. Tightens provisions to ensure no service purchases count towards eligibility for retirement 	

HB 1: PROPOSED PLAN FOR KTRS MEMBERS: EFFECTIVE 7/1/2008 FOR NEW HIRES

RETIREMENT PROVISION	CURRENT PLAN FOR NEW HIRES	HB 1 PROVISIONS	
Employee Contribution	FOR TEACHERS: 9.105% to pension (refundable w/int.) <u>0.750% to health (non-refundable)</u> 9.855% total FOR UNIVERSITY EMPLOYEES: 7.625% to pension (refundable w/int.) <u>0.750% to health (non-refundable)</u> 8.375% total	FOR TEACHERS: 9.105% to pension (refundable w/int.) <u>1.750% to health (non-refundable)</u> 10.855% total FOR UNIVERSITY EMPLOYEES: 7.625% to pension (refundable w/int.) <u>1.750% to health (non-refundable)</u> 9.375% total	
Final Compensation	<ul style="list-style-type: none">Highest 5 years of earningsHighest 3 years if employee has 27 years of service and is at least age 55.Lump sum comp., vacation, and sick leave included.	<ul style="list-style-type: none">SAME AS BEFORELump-sum comp. and vacation not included. Limit payment for sick leave to 300 days of accumulated leave.	
Benefit factor	FOR NEW TEACHERS AFTER 07/02: <ul style="list-style-type: none">➤ 2.0% if you have less than 10 years.➤ 2.5% if you have more than 10 years.➤ 3.0% for service in excess of 30 years. FOR UNIVERSITY EMPLOYEES <ul style="list-style-type: none">2.0%	<u>FOR NEW TEACHERS</u>	
		<u>Yrs. Service At Retirement</u>	<u>Benefit Factor</u>
		10 or less	1.70%
		Greater than 10, but no more than 20	2.00%
		Greater than 20, but no more than 26	2.30%
		Greater than 26, but no more than 30	2.50%
Additional years above 30	3.00%		
<u>FOR NEW UNIVERSITY EMPLOYEES</u>			
<u>Yrs. Service At Retirement</u>	<u>Benefit Factor</u>		
10 or less	1.50%		
Greater than 10, but no more than 20	1.70%		
Greater than 20, but less than 27	1.85%		
27 or more	2.00%		
<i>As a member reaches the specific service level, the benefit factor increases for all service credit except that the 3.00% multiplier for teachers only applies to service earned in excess of 30 years.</i>			
When Can They Retire: Unreduced Benefit	<ul style="list-style-type: none">Age 60 w/5 years of service orAny age/ w 27 years of service	<ul style="list-style-type: none">No change	
When Can They Retire: Reduced Benefit	<ul style="list-style-type: none">Age 55 w/5 years of service	<ul style="list-style-type: none">Age 55 w/10 years of service	
Penalty on Reduced Benefit	<ul style="list-style-type: none">5% for each year short of unreduced benefit.	<ul style="list-style-type: none">6% for each year short of unreduced benefit.	
Medical Insurance	FOR NEW HIRES AFTER 07/02:		<ul style="list-style-type: none">Increase minimum service requirement to 15 years.
	<u>Years of Service</u>	<u>% of Premium Paid for Retiree</u>	
	Less than 5:	0%	
	5–9.99	10%	
	10–14.99	25%	
	15–19.99	45%	
	20-24.99	65%	
	25-25.99	90%	
	26-26.99	95%	
	27 or more:	100%	
Cost of living Adjustment	<ul style="list-style-type: none">1.5% COLA plus ad hoc amount provided by General Assembly	<ul style="list-style-type: none">No Changes	
Distribution of funds before retirement	<ul style="list-style-type: none">Employee contribution plus interest at 3% per annum.	<ul style="list-style-type: none">Employee contribution plus interest at rate of 2.5% per annum.	
Service purchases	<ul style="list-style-type: none">100% of actuarial cost as determined by the board.Can count towards vesting for pension and health benefits.	<ul style="list-style-type: none">Remove purchase of "non-qualified service" except for up to 10 months in case retiring teacher with 26 years, 2 months of service but less than 27 years of service.	

HB 1: PROPOSED CHANGES FOR EXISTING EMPLOYEES/RETIREES IN KTRS

RETIREMENT PROVISION	HB 1 PROVISIONS
Retired Reemployed	<ul style="list-style-type: none"> Provides additional revised option to KTRS retirees who return to work by allowing them to waive their pension during the period of reemployment. If they are full-time they will earn additional years of service credit and will have their benefit recalculated upon termination of employment.

HB 1: PROPOSED CHANGES FOR EXISTING EMPLOYEES/RETIREES IN KERS, CERS, AND SPRS

RETIREMENT PROVISION	HB 1 PROVISIONS
Cost of living Adjustment	<ul style="list-style-type: none"> Beginning July 1, 2009, current and future KERS, CERS, and SPRS retirees will receive a set 1.5% cost of living adjustment. Provides that the General Assembly may provide an additional COLA if pre-funded by the General Assembly.
Reemployment After Retirement	<p>Under the provisions of the bill:</p> <ul style="list-style-type: none"> Hazardous KERS or CERS and SPRS retirees who return to work on or after September 1, 2008 in SPRS or in a hazardous duty position in KERS or CERS will be required to observe a one month break in employment. All other KERS, CERS, SPRS retirees who return to work on or after September 1, 2008 in KERS, CERS, or SPRS will be required to observe a 3 month break in employment. Provided the break is observed, the employee can return to work, draw their pension, but will not contribute to the systems or earn a second pension. The employer will be required to pay contributions to the systems and the health insurance premium of the retiree (not to exceed the cost of the single premium).
Payment of Sick Leave for Current Employees	<ul style="list-style-type: none"> KERS & SPRS: Effective July 1, 2010, requires the last participating employer to pay the full cost of the sick leave.
Partial Lump Sum Payment Option	<ul style="list-style-type: none"> Removes partial lump sum option for employees who begin drawing retirement benefits after January 1, 2009
Determination of Service Purchase Costs	<ul style="list-style-type: none"> Ensure the actuarial cost includes COLA and earliest eligible retirement date.

HB 1: PROPOSED CHANGES ON LRP & JRP

RETIREMENT PROVISION	HB 1 PROVISIONS
Cost of living Adjustment	<ul style="list-style-type: none"> Beginning July 1, 2009, current and future JRP and LRP retirees will receive a set 1.5% cost of living adjustment. Provides that the General Assembly may provide an additional COLA if pre-funded by the General Assembly.
New Hire Benefits	<ul style="list-style-type: none"> Same benefit structure but increases the employee contribution rate by 1%.

HB 1: PROPOSED CHANGES ON GOVERNANCE

RETIREMENT PROVISION	HB 1 PROVISIONS
Retirement Systems Board of Trustees	<ul style="list-style-type: none"> Establish requirements for additional pension board trustee education and increase transparency regarding board meetings, investments, and board actions. Limit board members to 3-four year terms.

HB 1: FUNDING**HB 1
PROVISIONS**

- Sets CERS employer contribution rates at 13.50% and 29.50% for non-hazardous and hazardous respectively for FY 2008-2009.

For fiscal years beyond 2010 for KERS and SPRS, establishes the following plan towards meeting the actuarial required contribution.

<u>FY Ended</u>	<u>KERS Non-hazardous</u>	<u>KERS Hazardous</u>	<u>SPRS</u>
2011	44%	76%	60%
2012	48%	79%	65%
2013	53%	83%	70%
2014	57%	86%	75%
2015	61%	89%	80%
2016	65%	92%	85%
2017	69%	95%	90%
2018	73%	98%	95%
2019	77%	100%	98%
2020	81%		100%
2021	85%		
2022	89%		
2023	93%		
2024	97%		
2025	100%		